

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2005-125-G - ORDER NO. 2005-567
OCTOBER 13, 2005

IN RE: Notice of Election of Piedmont Natural Gas)	INITIAL ORDER ON
Company, Inc. for Application of the Natural)	APPLICATION OF THE
Gas Rate Stabilization Act to its Rates and)	NATURAL GAS RATE
Charges.)	STABILIZATION ACT

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the Commission) pursuant to S.C. Code Ann. Section 58-5-455, a portion of the Natural Gas Rate Stabilization Act, as related to Piedmont Natural Gas Company, Incorporated (Piedmont or the Company). Order No. 2005-491 established a baseline for the Company under the Act, based on the Company's last rate case. See Order No. 2002-761. Section 58-5-455 sets out a procedure for the handling of monitoring reports under the Act related to the quarter ending March thirty-first, which we detailed in Order No. 2005-491 at 5.

However, to summarize, under Section 58-5-455, the Company files the monitoring reports with the Commission and the Office of Regulatory Staff (ORS). Parties may comment on the reports. Where it appears to the Commission or ORS that an adjustment in rates may be warranted, ORS shall conduct an audit of the monitoring report and specify any changes that it determines are necessary to correct errors in the report or to otherwise bring the report into compliance with the statute. Parties may

comment on the ORS audit. On or before October 15, the Commission shall issue an initial order setting forth any changes required in the utility's request to adjust rates under the statute. Any gas rate adjustments authorized under the terms of the statute shall take effect for all bills rendered on or after the first billing cycle of November of that year. This order is the "initial order" contemplated by S.C. Code Ann. Section 58-5-455 for Piedmont.

Pursuant to the South Carolina Natural Gas Rate Stabilization Act ("Act"), Piedmont submitted its quarterly monitoring report for the twelve-month period ending March 31, 2005, and the required revenue deficiency calculations and proposed changes to its tariff rates necessary to permit Piedmont the opportunity to earn the rate of return on common equity established in its last general rate case as specified in Section 58-5-420(1).

According to its Application, Piedmont indicated that \$4,672,048 in additional revenues is required to permit Piedmont the opportunity to earn a rate of return on equity equal to the approved rate of return on equity adopted in Docket No. 2002-63-G, Piedmont's last general rate case, and to recover one-hundred percent (100%) of its prudently incurred demand gas costs. Included in the above amount was an adjustment for demand cost under-recovery of \$1,436,772.

The Office of Regulatory Staff (ORS) conducted a review of Piedmont Natural Gas Company, Inc.'s Monitoring Report for the twelve-month period ending March 31, 2005, to evaluate compliance with Section 58-5-430 and Section 58-5-440 of the Act. The ORS proposed certain adjustments to reported amounts to bring the report into

conformance with Section 58-5-430 and Section 58-5-440 of the Act. Additionally the Company requested that certain demand reservation fees charged by one of its suppliers, heretofore included in Demand Cost Under-Recovery, be reclassified to Commodity Cost to more accurately reflect the nature of these charges. The ORS agreed with this reclassification.

As a result of these adjustments, the ORS calculated the as adjusted return on rate base and return on common equity to be 9.47% and 11.12%, respectively, and proposed that, in accordance with guidelines of the Act, the Company is entitled to an increase in rates and charges sufficient to achieve a Return on common equity of 12.60% authorized in their most recent rate case. Accordingly, ORS recommended that the Company be authorized a net increase to revenues of \$1,387,964. This increase is comprised of a recommended margin increase of \$2,595,126 reduced by a Demand Cost Over-Recovery of \$1,207,162. After the proposed increase, the Company's return on rate base and return on common equity would be 10.34% and 12.60%, respectively.

Piedmont filed written comments advising the Commission that Piedmont had no objection to or comments on the findings and adjustments reflected in the ORS Audit Report. Additionally, Piedmont filed proposed rates and charges reflecting the findings of the ORS Audit Report. No written comments from other parties were received.

We have examined the accounting and proforma adjustments proposed and agreed upon by the parties, and we take no exception to them.

III. FINDINGS AND CONCLUSIONS

1. S.C. Code Ann. Section 58-5-455, a portion of the Natural Gas Rate Stabilization Act, requires the filing of certain documents and the issuance of this Initial Order.

2. Changes are required to the Company's request to adjust rates.

3. ORS has suggested certain changes to which Piedmont does not object, as outlined above. Based on the accounting adjustments, an increase of \$2,595,126 is appropriate. We also approve the \$1,207,162 reduction to Demand Cost Over-Recovery.

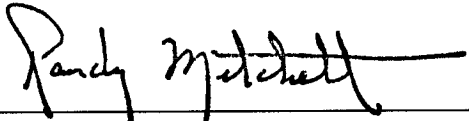
4. This Commission has found no other changes appropriate or necessary other than those agreed to by the parties.

5. This Commission adopts the changes and adjustments proposed by the parties and the resulting rates and charges, said rates and charges being attached hereto as Exhibit A.

6. The rates shall be effective for bills rendered on and after the first billing cycle in November 2005.

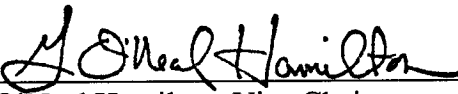
7. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:



Randy Mitchell, Chairman

ATTEST:



G. O'Neal Hamilton, Vice Chairman

(SEAL)